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Letter from the Chairman

Dear Shareholder,

It is a pleasure to present to you the Financial Statements and Management Report for 2006 and to summarise what has been a truly historical year for Bolsas y Mercados Españoles (BME).

Once again we shall give you an overview of an excellent year which saw trading volumes grow in line with GDP, with returns on the Spanish equity markets clearly outstripping those of the major international Bourses.

For the first time ever, trading on the Spanish exchanges in 2006 exceeded the symbolic figure of 1 billion euros with 1.15 billion euros traded on the SIBE, growing over 35% for the fourth consecutive year.

2006 also saw strong growth in the world's major stock markets, with the Spanish Bourse standing head and shoulders above the rest. Throughout the year its main index, the IBEX 35, exceeded its all time highs, rising over 30% in the year as a whole. Spanish market capitalisation also broke the 1 billion euro mark in 2006.

Spanish listed companies stole the limelight in 2006 with their forays abroad, making them one of the world's leading financial phenomena. Were it not for the size and liquidity which the Spanish stock exchange has obtained in

recent years, these moves would have been severely hampered. Two Spanish stocks are the most liquid in the euro zone while a third ranks amongst the top five.

BME's competitiveness and international presence is borne out in all of the Company's business areas. According to data from the World Federation of Exchanges (WFE), BME ranks amongst the top ten stock exchanges in the world, measured on key indicators: it is seventh by equity trading volumes, ninth on market capitalisation, first in fixed income trading, fifth for futures on single stocks contracts and sixth in terms of corporate financing.

Trading, capitalisation, liquidity, financing and a sound social base are key in shaping an efficient and well developed stock market. BME operates in a market where new records for all of the above were set in 2006, giving the company confidence and enhancing its outlook for the future.

Only five years ago, 20 public limited companies comprised the basic structure of the markets and financial systems in Spain: equities, fixed income, derivatives, clearing and settlement and dissemination of information, representing a mere 130 shareholders. Today this structure is known as Bolsas y Mercados Españoles and its creation grouped together these diversified shareholdings into one large company with a single management body which has helped shape a competitive and profitable market model.



BME'S 2006 RESULTS HAVE BEEN HIGHLY SATISFACTORY AND PLACE THE COMPANY IN AN OPTIMUM POSITION TO MEET FUTURE CHALLENGES

An integrated management model aimed at offering its clients the best possible service and which has proven its efficiency and propinquity to all its shareholders' needs and those of its listed companies and the securities industry as a whole.

Against this backdrop, and in the year which saw the company's stock market flotation, which I announced in my letter to you in 2005, BME's 2006 results have been highly satisfactory. Bolsas y Mercados Españoles obtained a net profit of 130.5 million euros, 28% higher than in 2005.

In the year of the 175th anniversary of the foundation of the Spanish stock exchange, BME was floated on 14 July. Following its flotation, new investors have taken stakes in BME, investors who are interested in an activity which, in recent decades, has demonstrated its huge growth potential. At the same time the company has fully embraced the international trend set by the other leading Bourses and has taken onboard new techniques which will enable it to achieve outstanding business targets.

The joint effort that is BME and its evolution have given the group a market value of around 3 billion euros with 50,000 shareholders, leading to a dividend payout of over 500 million euros in just four years.

2006 also saw a number of innovations in the Spanish financial industry with various pioneering projects, namely:

the MAB (Alternative Equity Market) was set up to deal with securities which require a more individualised treatment, Exchange Traded Funds (ETFs) began trading on the exchange, the e-prospectus for the fixed income market was drawn up, new software was rolled out and the number of non-resident members in the derivatives market increased.

These initiatives have fulfilled BME's objectives of strengthening competition in the Spanish stock exchange industry and of collaborating with the financial community to develop new products which are of paramount importance on a worldwide scale. Also, on the corporate front, BME has successfully moved its activities and business areas to a new, modern business complex in Las Rozas, bringing significant synergies and cost savings.

These sound results place BME in an optimum position to meet future challenges. The forthcoming application of the MiFID directive, the consolidation of global stock markets and increasing international competition are all factors which BME views as opportunities for the future.

ANTONIO J. ZOIDO